



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

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Factory Butte
NA/055/001

September 22, 1998

CERTIFIED MAIL NO. P 917 504 302

NOTICE OF BREACH OF MINERAL LEASES ML 44815-CLAY

Dick Shumway
Sunray Mineral Products
4986 Spanish Valley Drive
Moab, UT 84532

Dear Mr. Shumway,

*Copy Mary Ann,
Aaron, Joe (2-sided)*

On September 17, 1998, the Trust Lands Administration inspected the lands within ML 44815 and discovered that a sub-bituminous coal seam has been freshly uncovered and disturbed at the southern end of the reclaimed Atlas Dirty-Devil Coal mine.

Pursuant to Article XIX of the terms and conditions of the above numbered lease, Lessee is hereby given notice that Lessee is in breach of the terms and conditions of ML 44815:

1. Article I stipulates that the lease covers Clay. The lease does not cover coal resources and coals of any Rank or kind may be not be mined or removed from the lands under ML 44815.
2. Article III of the lease stipulates that the lease is issued pursuant to all valid Rules and Regulations of the Board of Oil, Gas & Mining. Rule R614 provides that coal resources may not be disturbed or mined without the approval and issuance of a coal exploration or mining permit from the Division of Oil, Gas & Mining. No such permit has been recently issued or is currently valid upon the lands within ML 44815.
3. Article XIII of the lease stipulates that Lessee shall conduct all operations under the lease in a lawful and prudent manner to avoid damage and wastage of other natural resources not covered by the lease. Lessee's operations have damaged coal resources in the lands within ML 44815.

Article XIX provides that Thirty days immediately following this notice, if the breach of ML 44815 is not remedied, Lessor may issue a notice of cancellation of the lease.

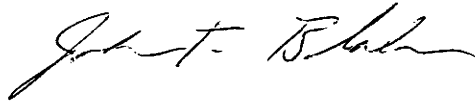
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Acceptable remedy of the breach of ML 44815 shall consist of Lessee regrading and reseeding the disturbed area. Please push the excavated coal back into the cut and spread the stockpiled topsoil back over the disturbed area. The disturbed area should then be reseeded by raking-in a mixture of drought resistant grasses and shrubs. Please contact me as soon as the remedy is complete so that I may inspect the site.

Your immediate attention to this problem is appreciated. I will be happy to discuss your mining plan with you in greater detail if you have any questions or confusion as to the substances or areas which you may mine under ML 44815-Clay.

Sincerely,

A handwritten signature in cursive script, appearing to read "John T. Blake".

John T. Blake
Mineral Resources Specialist

cc: Jim Cooper
Kenneth D. Westwood
Pam Grubaugh-Littig